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The Archway Investment Fund

BRYANT UNIVERSITY



Semi-Annual Report • December 2006



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Acknowledgement

Through the hard work of Professors Louton, Saraoglu, and Nigro, the Archway Investment Fund was born, providing an invaluable opportunity for Bryant students. We celebrated a successful first full year of operation in September 2006, and fall was the second semester that both the Securities Analysis class and the Portfolio Management class were running simultaneously. The lessons learned through involvement with the Fund will be taken with each and every student as they continue to grow both personally and professionally.

We cannot thank the Board of Trustees enough for giving us this opportunity. In addition, the Investment Advisory Board, which oversees our Fund each semester, has been extremely supportive in allowing the Fund to be completely student run. We appreciate the hard work and effort of the many people who are involved in making the Fund a success.



Professor Louton & 'Lanre Oyedotun '07

Letter from the Coordinator

As we come to the close of the first full calendar year of operation for the Archway Investment Fund, I would like to take this opportunity to say thank you to some of the people that have contributed to the success of this venture. First, thanks are due to the Bryant University Board of Trustees for believing in this project enough to entrust part of the university endowment to student portfolio managers. I would also like to thank my colleagues in the Finance Department for their enthusiastic support and for their active collaboration on the design and implementation of the Archway Fund classes. There are also quite a number of investments industry professionals, many of them Bryant alumni, who have taken time to provide input on the many challenges involved in designing and running something that is not only an investment fund, but also a course sequence with defined learning objectives. In addition, thanks are due to the many outstanding guest speakers who have enriched each semester by sharing their insights and experiences. Finally, I would like to thank the members of the Archway Fund Investment Advisory Board for their ongoing support and counsel.

We have had some good experiences with the Archway Investment Fund this year. Along the way we have picked some winners and we have picked some losers, but we have always learned. For the most part, our choices have been good ones. As of mid-November, the Fund was leading the S&P500 index by around 1.12% for the year to date.

This report provides a picture of the various things that we have done during the fall semester. Please read on, and feel free to send us your thoughts and suggestions.

Professor David Louton
dlouton@bryant.edu



Archway Investment Fund Students with Finance Professors

2nd Annual Financial Services Forum

On Wednesday, November 1, 2006, Bryant University held its 2nd Annual Financial Services Forum sponsored by Fidelity Investments for students and invited guests. The keynote speaker was Jurrien Timmer, Director of Market Research for Fidelity. The morning began with a welcome address from Jack Trifts, dean of the College of Business. He noted that the C.V. Starr Financial Markets Center's applications, which allow students to receive real-time data, are invaluable tools for students. Finance students across all classes can be seen using the Financial Markets Center for research, but especially those students involved with the Archway Fund. Two members of the Fund's Executive Committee, Nicole Levesque and Tarang Patel, then gave an update on the Fund. They spoke of the \$150,000 addition to the portfolio at the beginning of the fall semester and the allocation to the different sectors. The Executive Committee decided to take a defensive stance on the market going forward for the semester. In addition, they explained the organization of the Fund between the securities analysis and portfolio management classes.

Mr. Timmer spoke about the current state of the market and his opinion of what to expect in the future. He questioned whether the post-2002 late cycle is still in force, or whether a new bull market has begun. He feels that in the long term, stocks, and commodities will perform well



Jurrien Timmer, Fidelity Investments

while bonds may under perform. The three pillars of the stock market were discussed: earnings, interest rate cycle, and valuations. In general, earnings are favorable but getting worse, while we currently have a benign inflation level, and valuations are neutral or favorable at best. Jurrien Timmer's presentation was informative and widely respected by all who attended. It was a pleasure to hear a speaker with such an immense amount of knowledge about the market.

New England Collegiate Investment Research Challenge

In the spring of 2006, Bryant was invited to participate in the first annual New England Investment Research Challenge ("the challenge") organized by the Boston Security Analyst Society (BSAS). This competition was designed after a similar competition which is held annually by the New York Security Analyst Society. The Boston challenge, which officially began in November 2006, is five months in duration and includes the in-depth analysis of a publicly traded company culminating in writing a research report and making a presentation in front of a panel of distinguished judges. The three other schools that were chosen for this competition include Babson College, Harvard University, and Massachusetts Institute of Technology (Sloan). Of this group, Bryant's team is the only

one composed of undergraduate students. The members of the Bryant team are James Gallant, Jessica LaRoche, Brett Lousararian, and Alicia Ritt.



The company that was assigned for the teams to analyze for the competition is Analog Devices, a technology company based in Norwood, Massachusetts. Before the final presentation and research report are submitted on April 10, the Bryant team will have the task of applying the many skills they have acquired in their two semesters working with the Archway Investment Fund to do both qualitative and quantitative analysis on the company. Throughout the entire process the team members will be communicating with their assigned mentor, Peter Phillips from Amica Insurance. The role of the mentor is to be available to answer questions and ensure that the teams are following the best processes. Each team is allowed two face-to-face meetings with their mentor.

The winning team will receive recognition at the BSAS annual meeting in June, have the privilege of spending an afternoon with Chuck Clough of Clough Capital Partners, and have level one of the CFA (Chartered Financial Analyst) including a prep course paid for. In addition, there is a possibility of being invited to New York City to compete against the winning team of the New York Security Analyst Society's student investment competition.

Archway Fund Alumni...Where are they now?

Dan Fiandaca '06

Dan Fiandaca '06 is a former Executive Committee member who currently works for Fidelity Investments in Merrimack, N.H., as a Fixed Income Research Associate. Fiandaca works in the High Grade Fixed Income Group, exclusively with brokers, large banks, regional banks, and Government Sponsored Entities (GSE's). In his current position, Fiandaca performs analysis on different companies to help generate trade ideas and helps support three senior analysts, who in turn support portfolio managers. "If it weren't for the invaluable experience I gained through the Archway Fund, I would not have been as qualified to be accepted into this program," said Fiandaca.

He is extremely excited about the opportunity to be working in this group that had previously only considered recruiting Ivy League and other top tier graduates. According to Fiandaca, his experience in the Archway Fund gave him an edge with the in-depth securities analysis that the course requires. The Archway Fund provided many keys to success including: gaining an efficiency with Excel spreadsheets, meeting deadlines in a fast-paced learning environment, and performing intense project analysis.

Frank Guest '06

Frank Guest '06 was a member of the spring 2006 Executive Committee and now works at Hartford Investment Management Company (HIMCO) as an associate research analyst. Guest said that the Archway Investment Fund was not only an "unbelievable differentiator" when he was applying for jobs, but it also served to prepare him very well once he started. He said, "The Archway Investment Fund is very good at teaching students how to strike the balance between group tasks and individual tasks." This is a skill that is very important and has helped him greatly in the real world. In addition to the investment

skills and preparation for life after school, the Archway Fund provided Guest with career direction. Working with the Fund solidified his interest and passion for investment research. In the future, Guest intends to pursue the many career opportunities at HIMCO, including an assistant portfolio management position which would allow him to have great control over the 100-plus investment portfolios at HIMCO. Guest is also actively pursuing the Chartered Financial Analyst designation (CFA) with plans to take Level One this June.

Chris Mahoney '06

Chris Mahoney '06, a Spring 2006 Executive Committee member, is working at Rinet Company in Boston. Rinet is a wealth management company affiliated with Stanley Legacy Advisory. Mahoney is a part of the Estate Planning and Investment Advisory Team. His clients usually bring in accounts of \$1 million or more which the company actively manages and strategically allocates into a diversified investment portfolio. Mahoney thought that the class helped him a great deal with what he does now because he is always looking for securities that will bring value to his clients. The work he did in class gave him a great foundation and confidence in analyzing securities and potential industries in which to invest.



Peter Zeigler, Chris Mahoney and Frank Guest

Peter Zeigler '06

Peter Zeigler '06 is currently working as a junior asset analyst at the Procaccianti Group. He was a member of the Executive Committee and credits the Archway Fund with helping him to evolve as a leader, to enhance his time management skills, and to learn to generate synergy with others involved in the group work.

"The Fund immerses every individual in a work environment where there is something constantly happening. It's a continual struggle to know what's always going on with the sector and the stocks," he said. "In addition, the

aspect of working together is more evident in this course than any other course," Zeigler stated. He believes that this course is different from any other course at Bryant. It is very hands-on and how much you put in is how much you'll get out. When asked about its relation to his current job, he replied, "It's very different from equity research; however, the skills I learned regarding analyzing financial statements helped me out immensely. I recommend all finance majors to consider interviewing for this course."

Guest Speakers

Jurrien Timmer

Director of Market Research, Fidelity Investments

Robert Clark '97

Securities Analyst, Turner Investments

Michael Fisher '64

Managing Director, Barclays Global Investors

Jerry Porter

*Director of Business and Industry Training,
Fidelity Investments*

Steven Rogé '03

Portfolio Manager, R. W. Rogé and Company

Nicholas Bohnsack '01

*Operating Partner & Investment Strategist,
Strategas Research Partners, LLC*

Eric Bertrand '94

EJB Capital

J. Steven Cowen '69

Owner & Principal, Cowen Associates

The Economy

Current economic conditions are mixed, with a declining housing market weighing down an economy that otherwise appears fairly strong. Following third quarter real GDP growth of 1.6%, the lowest level since the first quarter of 2003, we anticipate a rebound in the fourth quarter, with real GDP growing between 2.0 and 2.5%. This, however, hinges on the performance of the housing market, as housing was responsible for 1.12% of the decline in third quarter GDP. We anticipate consumer spending and business investment will remain strong, thus mitigating the impact of the housing market slowdown.

Inflation has eased with the decline in energy prices since August, with core CPI falling from 2.9% year-to-year in September to 2.7% year-to-year in October. Core PCE increased at 2.3% in the third quarter. Combined with slowing growth, lower inflation has led many to anticipate the Federal Reserve will begin easing early in 2007. While we believe there is no longer risk of a rate increase, several signs point to inflationary pressures persisting despite reduced output. Most importantly,

evidence suggests upward pressure on wages, as unemployment is at a 5 year low of 4.4%, and average hourly earnings growth was 3.9% year-to-year in October, easily outpacing inflation. Additionally, much of the recent drop in inflation is attributed to lower energy prices. Though we feel the speculation premium has come out of oil prices, high winter demand or OPEC production cuts could potentially drive up prices. Therefore, we remain less optimistic than some about the direction of interest rates, expecting the Fed to maintain its neutral stance through the first half of 2007.

In general, the economy is being pulled in different directions, and as a result we have taken a defensive stance in our sector weighting strategy. As of now, the housing slowdown has not negatively affected consumer spending, but continued decline in the industry will reduce wealth and thus impact spending. If, however, it becomes clear when the correction will end, allowing a return to more normal growth, appropriate adjustments to portfolio strategy will be made.



The Archway Fund classes have not only given me confidence but they have taught me about leadership, group dynamics, and have ultimately been the key factor in getting me a corporate finance job.

NICOLE LEVESQUE '07

Archway Fund Committees

Executive Committee

The Executive Committee for the fall semester had two main goals: to outperform the S&P 500 index by restructuring the portfolio, and to streamline the administrative functions within the committees. The newly designed administrative functions include a Technical Committee to formalize all communications and an Alternative Investments Committee to search for international and niche investment opportunities, to further diversify our Fund holdings.

For the fall semester 2006 the Executive Committee implemented new trading procedure guidelines for the Archway Investment Fund. The new policy decentralizes the trade approval and review process by allowing the Portfolio Management Sector Groups to make trade decisions for securities within their sector. The trade approval and review process is carried out as follows: the process begins with the securities analysts presenting a stock recommendation to their class. The stock is then approved by a majority vote and is then discussed with the Portfolio Management (F454) sector group. The F454 sector group then votes on the particular security. If passed, the F454 sector manager submits the appropriate paper work to the Executive Committee containing their recommendation for the number of shares to be purchased. The Executive Committee then must approve the buy/sell order. It can only be vetoed if the security does not fit the portfolio strategy or sector scheme.



Executive Committee, Left to Right: Joe Importico; Nicole Levesque; Tarang Patel; Brett Lousararian; Brandon Turcotte

For the remainder of the semester, the Executive Committee's goal is to not only monitor the performance and alignment of the Fund but also to make sure that the other committees are running smoothly and have what they need to perform their tasks. We believe that the new alignment and organizational structure of the Fund will prove beneficial and will contribute to the success of the Fund not only for this semester but also for many years to come.



*Technical Committee: Nicole dePreaux; Brent Bulock
Not Pictured: Alicia Ritt, Chair; Matthew Clark*

Technical Committee

The Technical Committee focuses on the more mechanical and structural aspects of the Archway Investment Fund. One of the committee's first tasks was to design a Web site template for each sector of the securities analysis class. These Web sites enable the sectors to run uniformly while maintaining all pertinent information about their sector including current holdings, performance, sector composition, and sector outlooks. The Web sites allow sectors to post their group projects and stock pitches so they are available for the entire class to view. After the creation of these templates, the committee was responsible for holding a tutorial for the securities analysis class in order to instruct them on how to use their Web sites and publish them. In conjunction with the Web site templates, the committee also created templates for both stock recommendations and PowerPoint presentations. These templates will allow the analysts to create output that is organized in a uniform way and is therefore easier to follow.

One of the bigger tasks the Technical Committee will be taking part in this semester is the creation and implementation of the Archway Investment Fund Web site. The committee must create a public Web site that can be viewed by anyone: students, parents, employers, etc. One

(Continued on page 7)

Technical Committee Continued

(Continued from page 6)

great advantage to the Web site will be for the participating students who could not only put the great experience of this program on their resume, but also an explanatory Web site address to entice employers even more. Overall, the Technical Committee sees a great advantage to a public website, which will also spread word of our Funds' accomplishments across campus.

Marketing & Reporting Committee

This semester, the Marketing & Reporting Committee had three main objectives: the mid-semester report, the semi-annual report, and creating a Web site for the Fund. The mid-semester report was completed October 30 and the semi-annual report was done and presented on December 7. You see the result of the semester-long project of the semi-annual report here.

An Archway Investment Fund Web site is another project that the Marketing and Reporting Committee has been working on. The Committee is currently looking at other schools' and mutual funds' Web sites to research what it could entail. We will work closely with the Technical Committee to come up with a design for this Web site and plan to have it up and running by the end of the semester. Target audiences will include recent alumni who have participated in the Fund, older alumni who are interested in the Fund, potential employers who can see what the Fund is about, as well as our family and friends so they can see what our work has produced. We would also like to create an Archway Fund alumni network so that we can stay in close contact with those who have graduated. Our hope is that these recent alumni will want



*Marketing & Reporting,
Left to Right: Brittney
Kelleher; Michael Vadala;
Jessica LaRoche, Chair;
Chris Mulville*

to remain active in the Fund and will be able to help current students with any questions as well as possible employment opportunities.

Finally, we would like to create Archway Investment Fund merchandise. We envision pens and polo shirts which could be given out to presenters when they talk to our classes. We would also like to design a t-shirt which could allow us to market the Fund and anyone within the Fund interested in purchasing one could do so. In conjunction with this merchandise we are working with Bryant's university relations office to come up with an Archway Fund 'logo'.

Performance, Risk, and Portfolio Accounting Committee

The Performance, Risk, and Portfolio Accounting Committee is responsible for monitoring the performance and risk of the Fund. Daily tasks that are performed include portfolio accounting, calculating each sector's beta, standard deviation, and variance; and analyzing the aggregate performance of the portfolio. Through continuous monitoring and constant improvements in the techniques used to evaluate risk and return, this committee's goal is to provide the Executive Committee with current statistical analysis of the portfolio. Any portfolio management issues that arise during daily operations are brought to the attention of the Portfolio Management class. This semester we were fortunate to obtain a software grant from Morningstar which gives us access to their Advisor Workstation product. This tool will streamline record keeping operations and provide less room for human error in our risk and return calculations.



*Performance, Risk & Portfolio Accounting, Left to Right:
Sergey Kolker; David Schneider; John Musto; Matt Zewinski
Not Pictured: James Gallant, Chair*

Alternative Investments Committee

The Alternative Investments Committee was established to analyze, recommend, and act on investment opportunities domestically and internationally. The purpose of the committee is to be a specialized unit ready and willing to take quick action in acquiring domestic and international stocks with high reward potential. The committee aims to reduce portfolio risks through further diversification and provide an international investment scope to students involved in the Fund. Maintenance of a broad scope will allow us to gain access to significant alpha opportunities in financial markets outside of the United States. Because of the impact of globalization, markets now move more in tandem. Thus, in order to gain more alpha for the portfolio, it is critical to know how foreign markets impact the U.S. markets, and vice versa. Even though many multinational corporations (MNC) are domiciled in the U.S., there are a substantial number of foreign companies that have outstanding performance and attractive valuations. In view of these conditions, the Alternative Investments

Committee will use a top-down approach to analyze regions, countries, and specific companies.

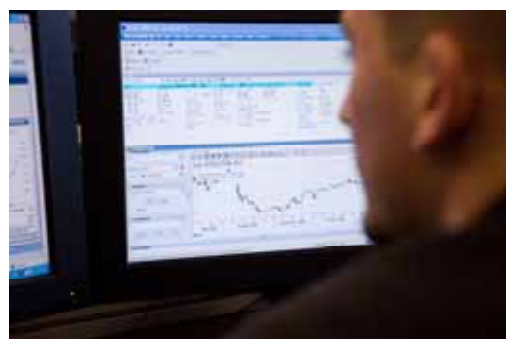


*Alternative Investments:
Minyen Chen, Chair;
Julianne MulCahy
Not Pictured: Natalie
Ghazal; 'Lanre Oyedotun*



*Working with the Archway Fund has given
me the practical experience and desire
necessary to pursue a career in asset
management.*

BRETT LOUSARARIAN '07



Archway Fund Sector Analysis Groups

Financial Sector

Most recently, the Financial Sector has been over-weighted in our portfolio and this has been beneficial in the short history of the Archway Investment Fund. Our current holdings have yielded a 4.25% gain year to date; however, in the record setting market of late, this is satisfactory at best. The Financial Sector ETF has been providing greater returns than the S&P 500 over the past year.

There are several highlights within the Financial Sector. Bank of America is one, gaining nearly 24% since its addition to the Fund. Much of this success is due to the advent of their new “\$o online trades”. These are expected to broaden their market share and enhance their cross-selling strategy. Morgan Stanley has been our biggest winner since its purchase with a 29% gain. Also, the International Securities Exchange has been doing well since the debut of their new MidPoint Match system. This trade execution system lists nearly all equities traded within the S&P 500, other ETF choices, and, most recently, options. International Securities Exchange has returned almost 25% for the Fund since its purchase in April 2006. On the negative side, Legg Mason has proven to be quite volatile as we have lost 18% since its purchase and BankAtlantic is down 3%, as it has been losing market share in their Florida market.

The Financial Sector is diverse, and it is essential to identify which sub-industries of the sector are potential investment targets. The property and casualty insurance industry has been performing well recently due to an extremely mild storm season. Positive third and fourth quarter results are expected to give some relief to the insurance industry, which is just beginning to feel the relief of Hurricane Katrina claims. Also, the commercial banking outlook is currently more optimistic than retail

banking. Demand for shopping centers and buildings are still high in an uncertain real estate market. Real Estate Investment Trusts look like a positive avenue to study as commercial real estate demand is in the spotlight. Financial institutions, which have significant market capitalization, can be seen more positively than small retail banks. Larger institutions are better suited to take on the difficult interest rate environment and can often better face the fierce competition of the industry. Smaller financial institutions still have merger and acquisition potential, as can be seen in the move made by Wachovia in their takeover of GoldenWest Financial.

Overall, the Financial Sector is heading towards large capitalization banks that are undervalued. The sector is still attempting to identify potential takeover targets; however, during a strong bull market there are other good opportunities. Interest rates are starting to appear more stable and attractive which is looking positive for future profits and earnings. The insurance industry also has profit potential and may be the focus of future investing.



*Financial Sector: Ted Ferik; Ben Leger
Not Pictured: Greg Lloyd; Albert Marchionne;
Christian Pickett*

Technology Sector

This semester, the Technology Sector has performed extremely well since the market rally started in mid-August. Cisco Systems and Apple Computer have been our best performers with 42% and 28% gains respectively. The majority of our holdings, including our Technology SPDR ETF, are posting positive returns for the portfolio. The Technology Sector should continue to outperform the market for the foreseeable future.

The computer networking and telecom industries have been outperforming the market averages for quite some time now. The computer networking industry has benefited from strong demand for Internet protocol television (IPTV) and video-on-demand television. Our portfolio is benefiting from this market by holding Cisco Systems. The telecom industry has benefited from a strong demand

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If past history was all there was to the game, the richest people would be librarians.

WARREN BUFFETT

Technology Sector Continued

(Continued from page 9)

in the wireless segment as well as the foreign segment. In addition, the wireless telecom industry has benefited from the transition to 3rd generation (3G) phones. 3G phones allow telecom providers to meet the tremendous demand for new services, such as high-quality voice, high-speed data, and multimedia services. The foreign telecom industry has benefited from strong demand in Africa, Southeast Asia, and Latin America. There is generally low use of cellular phones in these areas, so there is plenty of room for subscriber and revenue growth in the upcoming future. With wireless subscriber growth slowing in the United States and Europe, growth is expected to heat up in these emerging markets. We recently purchased China Mobile to capitalize on this potential.

Notable changes in the Technology Sector have been the growing emergence of 3G technology in the wireless telecom industry and strong demand for streaming audio and video multimedia in the internet content industry. Throughout the semester, wireless telecom stocks have been some of the best performers in the market. Both wireless telecom and wireless telecom equipment providers have benefited from this new growth opportunity. Strong demand for streaming audio and video multimedia has led to an explosion in mergers and acquisitions. An example of this would be Google's recent purchase of YouTube.com for \$1.65 billion. Internet content providers will benefit from this new growth, and reap more advertising revenue for the industry. We will continue to monitor industry changes, and adjust our sector accordingly.



Technology Sector, Left to Right: Tom Baumann; Bryan Morrell; Jared Gardner; Karina Gonzalez; John Zicaro



*Industrials Sector, Left to Right: Nate Boutin; Dan Schmidt; Brian Basiliere; Ryan Shorey
Not Pictured: Nate Olszewski*

Industrials Sector

The Industrials Sector has rebounded well from its downward trend in late July through the middle of August. Much of this downfall resulted from the increasing pressures of oil prices which were at record high prices of \$77 per barrel. Even with the downfall over the summer months, the sector has shown gains of 5.52% as of October 24, 2006. The sector is currently weighted at 8.53% of the portfolio underweighted versus the market rate of 11.07%. We agree with this underweighting because the XLI is down 25-75 basis points in comparison to financials, energy, utilities, and consumer discretionary.

In regard to where we see the Industrials Sector heading, we have become more bullish on the sector after solid third quarter earnings. UPS and 3M both reported greater than expected earnings to balance out a decrease in third quarter profits reported by Southwest Airlines. In contrast, our other low-cost airline, Ryanair Holdings, is up roughly 55% since its purchase in April. UPS stated in its third quarter earnings broadcast that it expects a great holiday season with retail and e-commerce sales orders already coming in. It may not beat last year's record fourth quarter but should come close, indicating that the

(Continued on page 11)

Industrials Sector Continued

(Continued from page 10)

economy may not be on as steep a decline as some may think. Their main competitor FedEx also agreed with these statements in their earnings report. 3M reported substantial third quarter gains of \$1.18 per share versus \$1.08 a year ago due to a 9% increase in revenue. We believe that the Industrials Sector should continue its overall trend of moderate growth in the upcoming year, with potential in industries such as railroads, environmental and waste management, aerospace and defense, and conglomerates.



Consumer Sector, Left to Right: Danielle Godon; Jose Quinônes; Jeff Wade; Erika Rosewell; Tom Becker

Healthcare Sector

Through the analysis of our current holdings we have found many strengths and opportunities that suggest further growth within the Healthcare Sector. Other than cutting costs for Medicare and Medicaid, concerns for the sector revolve around individualized stocks or sub-industries. We are expecting a rise in the sector as a whole due to the aging baby boomer population as well as a rise in research, development, and technology. We plan to continue to over-weight the sector and place more emphasis on well managed, diversified companies.

The biotechnology industry shows no sign of slowing down as rapid growth is seen across the globe. Many of today's medicines are now developed using biotechnology which is why the pharmaceutical industry currently overlaps biotechnology significantly. Biotech engineers engaging in biomedical research within companies have brought 187 new medicines to market and served more than 325 million patients to date. Demand for pharmaceuticals is also expected to stay strong reinforced by the fact that it is not cyclical and is often unaffected by downturns in the economy.

Thus far in the semester, we have seen changes in the Healthcare Sector due to increased volatility and uncertainty of the FDA's approval rates. We have been looking to diversify our portfolio in order to increase stability and thus reduce volatility. Currently we are looking into adding Pfizer (PFE) to the current healthcare holdings in the hope of stabilizing our sector while adding continued growth and profitability. Pfizer

(Continued on page 12)

Consumer Discretionary & Consumer Staples Sector

The Consumer Discretionary and Consumer Staples Sectors have seen moderate gains over the past several months. The SPDR index for Consumer Staples has seen about a 4% gain over a 3 month horizon while the Consumer Discretionary SPDR has seen about a 12% gain over the same period. Both of these indexes have outperformed our estimates of 2% growth. Of our current holdings, Home Depot and Parlux have been underperforming since mid-summer. We have seen substantial losses to Parlux due to its risk and volatility. Home Depot began dropping due to the slumping housing market over the past few months. On the upside, McDonald's, Honda Motor Co, and Altria have been performing quite well compared to the S&P 500. McDonald's in particular has seen gains of almost 20% in the past few months.

Consumer Discretionary is broken up into many different sub-industries including retail, electronics, home goods, automakers, and jewelry, among others. The industries that we predict will outperform include automakers and retail discount stores. We feel that the

consumer demand for hybrid cars will propel companies such as Honda and Toyota in the near future. In addition, retail discount stores will continue their dominance in the market as the nation's thirst for hyper-markets continues. Consumer Staples as a whole is expected to outperform the market especially in niche markets. These markets provide numerous value stocks that have been overlooked in the past and we feel there are considerable opportunities in the future.

As a whole we believe the Consumer Discretionary Sector gaining momentum in the near future due to lower energy prices and the stabilization of interest rates. We feel that consumers will begin spending again (especially with the holidays approaching) and will continue to drive this sector. We also see that Consumer Staples will have opportunities in the future and our group looks to invest specifically in this sector, especially since this sector was just recently over-weighted.

Healthcare Sector Continued

(Continued from page 11)

currently has 235 new products in development, and another 400 are in discovery research. With a success rate of about 1 in 11, or 9%, this places them well above the industry average of 4%-5%. A pipeline with drugs in all four stages of development and a drug success rate of 9% leads us to believe this stock will add value to our portfolio.



Healthcare Sector, Left to Right: Wade Ojala; John Manoni; Sarah McDonnell; Seth Mayo

Economic Analysis and Emerging Opportunities

Currently, the Economic Analysis and Emerging Opportunities (EEO) Group covers companies in the energy and materials sectors. The companies we hold, as well as the ones we are looking to purchase for the portfolio, are performing well this semester, given the economic conditions. Our energy stocks are highly correlated with the commodities market, which has shown recent volatility. The stocks we hold and are looking to purchase in the materials sector rely heavily on the housing market, industrial production, and interest rates. The housing market is currently poised on the edge of what many fear to be a bursting bubble; however, easing interest rates should alleviate the pressure on housing costs and maintain a steady market. This, combined with steadily increasing industrial production, is keeping the demand for materials strong.

While our current holdings for the portfolio are all performing well within their respective industries, we believe that there are other industries that represent potential investment opportunities for the Fund. The portfolio is currently limited to investments focusing on oil and petroleum products in the energy sector and diversified materials and chemicals in the materials sector. We see opportunities for new investments in international companies, alternative energies, and diversified materials companies. We believe international companies will be excellent investments that will expose us to markets that may perform well in times when domestic markets are underperforming. With volatile energy prices, investing in alternative sources of energy including wind, solar, and hydrogen will diversify the Fund away from oil and gas products. Finally, diversified materials will provide stable growth for the Fund as housing markets and the Gulf Coast recover.

Since the beginning of the semester, there have been few changes to our sectors and our investment thesis. The slowing of increases in the Federal Funds rate and interest rates in general has eased tensions in an otherwise slowing housing market. Gas and oil prices that hovered at or around record highs during the summer have now settled to a more comfortable level, easing the pressure on the bottom line for many companies. While our holdings in the Energy Sector performed well during the high energy prices, we still see growth potential as prices stabilize. Our outlook for the sectors within EEO for the remainder of the semester is optimistic, with continued strong performance coming from our current holdings.



Economic Analysis & Emerging Opportunities, Left to Right: Nick Sinkus; Mike Aretakis; Kevin McCarthy; Daniel Hultberg; Jason Christman; Ben Bedard

Portfolio Strategy

Throughout the semester, the Executive Committee has continued to take a defensive approach to managing the Archway Investment Fund. After the sector groups submitted recommendations and we completed our own analysis, we decided to weight the Fund as follows:

	S&P Weighting	Re-Weighting
Financials	22.37%	24.61%
Healthcare	12.79%	14.07%
Consumer Staples	9.79%	12.24%
Utilities	3.43%	4.29%
Energy	9.10%	9.10%
Technology	18.79%	15.97%
Industrials	10.80%	9.72%
Consumer Discretionary	10.05%	7.84%
Materials	2.88%	2.16%

The above weightings depict our strategy rather than what the Fund is currently weighted at because of changing market values. The reason behind our defensive strategy lies in our economic outlook which suggests that we are experiencing a slowing economy. As can be seen in

the table, Financials, Healthcare, Consumer Staples, and Utilities will be over-weighted compared to our S&P 500 benchmark. Energy will be equal weighted while Technology, Industrials, Materials, and Consumer Discretionary will be underweighted. Financials has been over-weighted due to multiple issues relating to strong merger and acquisition activity, the current interest rate environment, and new diverse product lines. Healthcare, Consumer Staples and Utilities are non-cyclical industries and their top-line growth is not directly correlated to the economy. Due to the volatility of the Energy sector and a potential decline of oil prices from recent discoveries of oil reserves, we decided to neutral weight this sector. There are still growth opportunities in this sector but we feel the outlook for the sector as a whole is uncertain. Technology, Industrials, Consumer Discretionary and Materials, were underweighted due to their high correlation with a slowing economy and potentially declining consumer spending. Our justification for our re-weighting strategy is mainly based on a top down fundamental approach. We feel that every sector has excellent investment opportunities; however some will fare better than others in the current economic environment.

What's Hot...

<i>Purchase Date</i>	<i>Ticker</i>	<i>Name</i>	<i>Current Price</i>	<i>Shares</i>	<i>Stock Weight in Portfolio</i>	<i>Holding Period Percent Gain / Loss</i>	<i>Month Percent Gain / Loss</i>	<i>YTD Percent Gain / Loss</i>
10/25/2005	CSCO	CISCO SYSTEMS	\$26.60	350	2.41%	55.56%	10.37%	52.44%
4/26/2006	RYAAY	RYANAIR HOLDINGS	\$75.40	50	0.98%	55.02%	12.71%	55.02%
5/3/2006	OII	OCEANEERING	\$42.21	200	2.19%	34.53%	7.60%	34.53%
12/2/2005	ASH	ASHLAND INC	\$65.78	50	0.85%	34.20%	9.72%	9.78%
3/21/2006	AAPL	APPLE COMPUTERS	\$84.05	50	1.09%	33.62%	6.18%	33.62%

And What's Not...

<i>Purchase Date</i>	<i>Ticker</i>	<i>Name</i>	<i>Current Price</i>	<i>Shares</i>	<i>Stock Weight in Portfolio</i>	<i>Holding Period Percent Gain / Loss</i>	<i>Month Percent Gain / Loss</i>	<i>YTD Percent Gain / Loss</i>
12/9/2005	EMC	EMC CORP	\$12.70	200	0.66%	-10.12%	4.01%	-7.16%
3/21/2006	UNH	UNITEDHEALTH	\$47.96	50	0.62%	-14.00%	-0.70%	-14.00%
5/3/2006	LM	LEGG MASON	\$94.33	50	1.22%	-17.98%	4.79%	-17.98%
4/28/2006	CTXS	CITRIX SYSTEMS	\$30.77	75	0.60%	-22.65%	5.38%	-22.65%
12/14/2005	PARL	PARLUX FRAG	\$6.40	100	0.17%	-58.37%	-4.05%	-58.09%

Fund Performance Summary

As of the market close on November 15, 2006, assets under management totaled \$386,911.56. Of this amount, 51.08% was allocated to sector ETFs, 42.28% was actively invested in individual stocks, 3.71% was allocated to industry focused ETFs, and the remaining 2.93% was held in cash.

The fund's annualized year-to-date return of 17.71% exceeds the performance of the S&P500 Index benchmark, which returned an annualized 16.55%, by 1.16%. The fund outperformed the dynamic benchmark by an annualized 2.69%. The dynamic benchmark, calculated based on the fund's actual sector weights and the returns of the

sector ETFs, returned 15.02%.

Based upon the return of the dynamic benchmark, 2.69% of the differential return can be attributed to stock selection, while sector allocation reduced the differential by 1.53%. It is notable, however, that based upon the Sharpe and Treynor measures, the fund and the benchmark offer a similar return per unit of risk. Therefore, at least some of the differential return must be attributed to taking on additional risk.

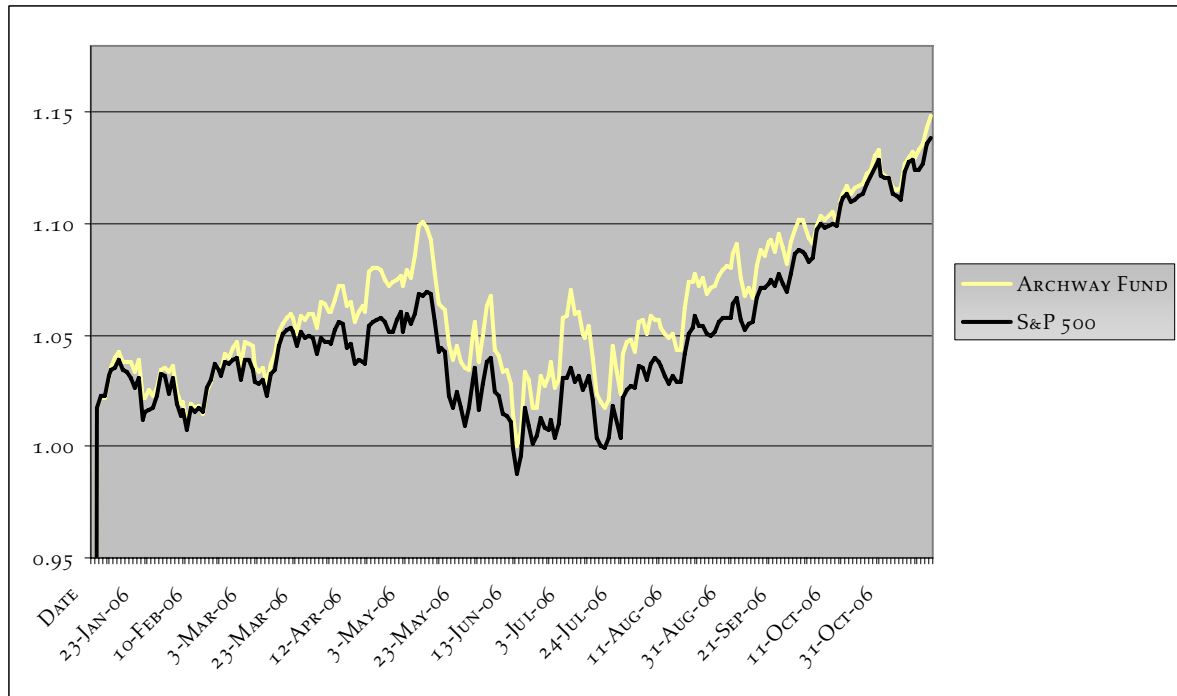
Year-to-Date Comparisons

	<i>Sector Weight</i>	<i>SPDR Weight</i>	<i>YTD Sector Returns</i>	<i>YTD SPDR Returns</i>	<i>Sector Beta</i>	<i>SPDR Beta</i>
<i>Financials</i>	23.03%	22.04%	14.18%	15.35%	1.13	0.99
<i>Technology</i>	15.75%	19.34%	18.21%	13.46%	1.13	1.18
<i>Healthcare</i>	13.11%	11.98%	6.20%	5.05%	0.82	0.73
<i>Consumer Staples</i>	11.86%	9.21%	11.94%	11.95%	0.60	0.60
<i>Industrials</i>	10.15%	10.98%	26.20%	13.28%	1.11	1.00
<i>Energy</i>	9.64%	9.68%	33.91%	16.49%	1.69	1.27
<i>Consumer Discretionary</i>	7.80%	10.34%	8.54%	16.67%	1.07	0.99
<i>Utilities</i>	4.30%	3.43%	6.68%	17.03%	0.61	0.61
<i>Materials</i>	1.90%	2.99%	13.16%	14.80%	1.51	1.38
<i>Alternative</i>	2.47%	-	6.57%	-	-	-
<i>Archway Investment Fund</i>			15.02%	13.90%	1.03	0.98

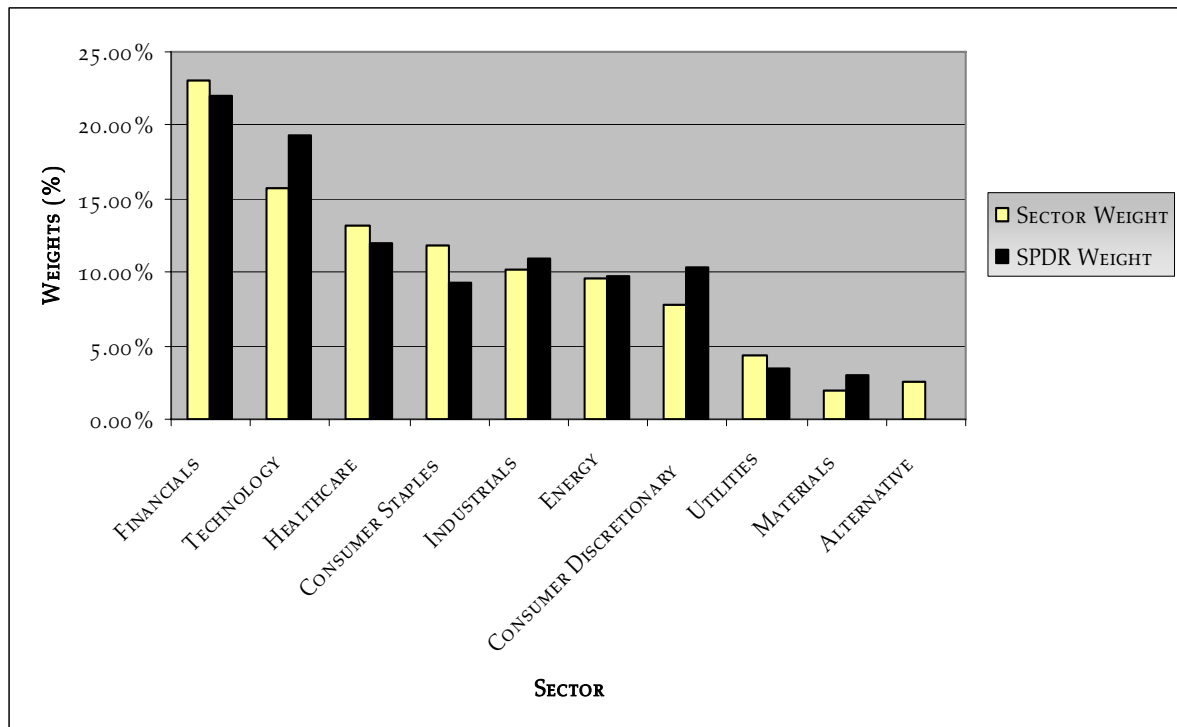
Annualized and Risk Adjusted Returns

	<i>Annualized YTD Returns</i>	<i>Differential Return</i>	<i>Beta</i>	<i>Standard Deviation</i>	<i>Sharpe Measure</i>	<i>Treynor Measure</i>
<i>Archway Investment Fund</i>	17.71%	1.16%	1.07	11.92%	1.10	0.122
<i>Dynamic Benchmark</i>	15.02%	-1.53%	0.99	10.74%	0.97	0.105
<i>S&P500 SPDR ETF</i>	16.37%		1.00	10.42%	1.14	0.119
<i>Benchmark S&P 500 Index</i>	16.55%					

\$1 Investment: Archway Fund vs. S&P 500



Strategic Alignment



Current Holdings

as of November 15, 2006

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	Holding Period Percent Gain / Loss	Month Percent Gain / Loss	YTD Percent Gain / Loss
Financials								
10/25/2005	XLF	FINANCIALS ETF	\$35.92	1350	12.56%	6.55%	2.02%	11.55%
3/26/2006	PRU	PRUDENTIAL	\$81.00	50	1.05%	5.04%	6.13%	5.04%
3/26/2006	PIC	PS DYN INSURANCE	\$18.11	150	0.70%	8.28%	3.72%	8.28%
12/2/2005	BBX	BANKATLANTIC	\$13.59	250	0.88%	-2.45%	6.25%	-1.82%
12/2/2005	FHN	FIRST HORIZON	\$39.61	100	1.03%	6.51%	1.77%	7.73%
12/2/2005	MS	MORGAN STANLEY	\$78.66	50	1.02%	28.84%	6.63%	40.54%
12/8/2005	BAC	BANK OF AMERICA	\$54.48	100	1.41%	23.61%	1.68%	22.51%
12/20/2005	AMTD	TD AMERITRADE	\$16.37	50	0.21%	-8.54%	2.83%	-6.79%
4/25/2006	ISE	INTL SECURITIES EX	\$50.84	100	1.32%	18.91%	2.85%	18.91%
5/3/2006	LM	LEGG MASON	\$94.33	50	1.22%	-17.98%	4.79%	-17.98%
5/15/2006	WM	WASH MUTUAL	\$43.06	50	0.56%	-5.71%	1.44%	-5.71%
1/20/2006	CBH	COMMERCE BANC	\$35.14	50	0.46%	3.49%	0.92%	3.49%
Technology								
10/25/2005	XLK	TECHNOLOGY ETF	\$23.51	850	5.18%	7.33%	3.25%	10.32%
10/25/2005	INTC	INTEL CORP	\$22.32	150	0.87%	-1.56%	6.18%	-12.71%
10/25/2005	MSFT	MICROSOFT	\$29.12	200	1.51%	17.88%	1.08%	8.49%
10/25/2005	CSCO	CISCO SYSTEMS	\$26.60	350	2.41%	55.56%	10.37%	52.44%
12/2/2005	ADSK	AUTODESK	\$36.62	50	0.47%	-13.63%	0.99%	-14.34%
12/2/2005	MNDO	MIND CTI LTD	\$2.48	1100	0.71%	-6.84%	-6.06%	-8.15%
12/9/2005	EMC	EMC CORP	\$12.70	200	0.66%	-10.12%	4.01%	-7.16%
12/20/2005	ADBE	ADOBE SYS	\$41.39	75	0.80%	9.73%	9.61%	7.45%
4/25/2006	AVID	AVID TECHNOLOGY	\$39.72	100	1.03%	4.86%	10.64%	4.86%
4/28/2006	CTXS	CITRIX SYSTEMS INC	\$30.77	75	0.60%	-22.65%	5.38%	-22.65%
3/21/2006	AAPL	APPLE COMPUTERS	\$84.05	50	1.09%	33.62%	6.18%	33.62%
Industrials								
3/21/2006	XLI	INDUSTRIAL ETF	\$35.22	100	0.68%	2.32%	3.25%	7.23%
3/21/2006	PHO	PS WATER RES	\$18.30	200	1.42%	3.51%	2.23%	3.51%
10/25/2005	UPS	UNITED PARCEL	\$77.91	50	1.01%	7.82%	5.00%	3.12%
10/25/2005	GE	GENERAL ELEC	\$35.79	100	0.93%	8.43%	2.55%	1.19%
12/2/2005	LUV	SW AIRLINES	\$15.94	100	0.41%	-4.10%	6.76%	-2.98%
4/26/2006	RYAAY	RYANAIR	\$75.40	50	0.98%	55.02%	12.71%	55.02%
5/3/2006	LAYN	LAYNE CHRIS	\$29.93	100	0.78%	-0.21%	3.14%	-0.21%
12/20/2005	MMM	3M COMPANY	\$80.71	50	1.05%	5.04%	2.37%	2.02%
11/3/2006	INT	WORLD FUEL SVC	\$49.00	100	1.27%	10.99%	15.32%	10.99%
12/20/2005	HON	HONEYWELL INTL	\$43.35	100	1.12%	6.69%	2.73%	15.72%

Current Holdings Continued

<i>Purchase Date</i>	<i>Ticker</i>	<i>Name</i>	<i>Current Price</i>	<i>Shares</i>	<i>Stock Weight in Portfolio</i>	<i>Holding Period Percent Gain / Loss</i>	<i>Month Percent Gain / Loss</i>	<i>YTD Percent Gain / Loss</i>
Consumer Discretionary								
10/10/2006	XLY	CONS DISC ETF	\$37.93	500	4.91%	4.63%	2.74%	14.94%
10/25/2005	HD	HOME DEPOT	\$37.62	100	0.97%	-4.81%	0.72%	-4.42%
10/25/2005	MCD	MCDONALDS CORP	\$41.10	100	1.06%	26.81%	-1.82%	23.87%
12/14/2005	PARL	PARLUX FRAG	\$6.40	100	0.17%	-58.37%	-4.05%	-58.09%
12/14/2005	HMC	HONDA MOTOR	\$36.17	50	0.47%	27.22%	2.58%	25.68%
CONSUMER STAPLES								
10/25/2005	XLP	CONS STAPLES ETF	\$25.67	1575	10.47%	7.09%	0.16%	5.85%
12/2/2005	MO	ALTIRA GROUP	\$82.25	50	1.07%	16.51%	0.98%	14.44%
ENERGY								
3/21/2006	XLE	ENERGY ETF	\$58.23	350	5.28%	9.01%	5.57%	3.08%
10/25/2005	COP	CONOCOPHILLIPS	\$63.98	100	0.83%	3.08%	7.17%	5.73%
5/3/2006	OII	OCEANEERING INTL	\$42.21	200	2.19%	34.53%	7.60%	34.53%
12/20/2005	PLLL	PARALLEL PETE	\$20.96	200	1.09%	18.82%	5.27%	17.69%
HEALTHCARE								
10/25/2005	XLV	HEALTH CARE ETF	\$32.98	850	7.26%	5.56%	-0.24%	2.71%
3/21/2006	PBE	PS ETF BIOTECH	\$18.94	325	1.59%	4.35%	4.18%	7.43%
12/7/2005	WLP	WELLPOINT	\$73.33	50	0.95%	-6.29%	-2.40%	-7.60%
4/28/2006	HMA	HEALTH MGT ASSOC	\$19.66	150	0.76%	-4.26%	0.72%	-4.26%
4/28/2006	DNA	GENENTECH	\$80.44	75	1.56%	1.59%	-2.32%	1.59%
3/21/2006	UNH	UNITEDHEALTH	\$47.96	50	0.62%	-14.00%	-0.70%	-14.00%
MATERIALS								
10/25/2005	XLB	MATERIALS ETF	\$34.16	50	0.44%	34.56%	2.64%	10.48%
12/2/2005	ASH	ASHLAND INC	\$65.78	50	0.85%	34.20%	9.72%	9.78%
12/2/2005	ROCK	GIBRALTAR INDS	\$21.42	100	0.55%	-3.74%	0.47%	-9.92%
UTILITIES								
10/25/2005	XLU	UTILITIES ETF	35.87	450	4.18%	4.43%	-0.39%	12.09%
ALTERNATIVE								
10/31/2006	HXM	HOMEX DEVELOPMNT	48.76	100	1.26%	8.84%	9.82%	51.81%
11/3/2006	CHL	CHINA MOBILE	44.10	100	1.14%	2.32%	7.82%	2.32%

Statement of Operations

January 1, 2006 through November 15, 2006

Income:

Dividends		\$ 3,667.04
Interest		\$ -
		<u>\$ 3,667.04</u>

Expenses:

Custodial Fees	\$ -	
Trading Cost	\$ 562.14	
	\$ 562.14	\$ 562.14

Net Investment Income: \$ 3,104.90

Realized Gain (Loss) on Investments:

Proceeds from Securities Sold	\$ 122,418.30	
Cost of Securities Sold	\$ 114,202.34	
Net Realized Gain (Loss) on Investments		\$ 8,215.96

Net Increase (Decrease) in Unrealized Appreciation on Investments:

Market Value of Holdings as of November 15, 2006	\$ 375,635.25	
Market Value of Holdings as of January 1, 2006 plus additions	\$ 355,805.65	
Unrealized Appreciation	\$ 19,829.60	
Increase (Decrease) in Net Unrealized Appreciation		\$ 19,829.60

Net Realized Gain (Loss) and Increase (Decrease) in Net Unrealized Appreciation: \$ 28,045.56

Net Increase (Decrease) in Assets Resulting from Operations: \$ 31,150.46

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Bank of America

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Senior Portfolio Manager
Levin Capital

Todd Carey
Principal
Battery Opportunity Fund

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*An investment in
knowledge always pays
the best interest.*

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*Members of the Investment Advisory Board,
left to right: David Louton; Peter Nigro;
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